UNITED
NATIONS

TD

United Nations Conference
on Trade and Development

Distr.
LIMITED

TD/B/SCP/L.1/Add.2
13 May 1993

Original: ENGLISH

TRADE AND DEVELOPMENT BOARD
Special Committee on Preferences
Twentieth session
Geneva, 10 May 1993
Agenda item 8

DRAFT REPORT OF THE SPECIAL COMMITTEE ON PREFERENCES ON ITS TWENTIETH SESSION

Held at the Palais des Nations, Geneva,
from 10 to .. May 1993

Addendum

Rapporteur: Mr. E. Manakine (Russian Federation)

CONTENTS

Chapter		Paragraphs
I.	Review of the implementation, maintenance, improvement and utilization of the GSP (agenda item 3)	
	Consultations on harmonization and improvement of the rules of origin (agenda item 4)	
	Technical assistance in connection with the GSP (agenda item 5) (continued)	1 - 12

GE.93-51988 (E)

Chapter I

REVIEW OF THE IMPLEMENTATION, MAINTENANCE, IMPROVEMENT AND UTILIZATION OF THE GENERALIZED SYSTEM OF PREFERENCES
(Agenda item 3)

CONSULTATIONS ON HARMONIZATION AND IMPROVEMENT OF THE RULES OF ORIGIN
(Agenda item 4)

TECHNICAL ASSISTANCE IN CONNECTION WITH THE GENERALIZED SYSTEM OF PREFERENCES
(Agenda item 5)

(continued)

1. The representative of Mexico said that the GSP, in its 20 years of operation, had demonstrated itself to be an efficient instrument of international cooperation. However, product coverage must be improved, since only 48.9 per cent of dutiable imports were covered under the schemes and for various reasons only about half of those imports actually received preferential treatment. He drew attention to the existence of non-tariff barriers which hindered the full use of the GSP, and said that this was a field where more effective action was needed.

2. The trade liberalization implemented by developing countries should find a response on the part of donor countries, especially through the inclusion of additional products under the GSP. It was also important to impart greater security to the schemes with a view to ensuring greater predictability for exports.

3. He appealed for more resources to be made available for technical assistance and expressed the hope that his country would continue to be a beneficiary of UNCTAD technical cooperation activities.

4. The representative of Brazil reiterated the importance his country attached to stability and transparency in the operation of the GSP schemes. Predictability of market access was a crucial element for exporters, in particular in cases where entrepreneurial and administrative structures were deficient or when new markets had to be found for non-traditional exports. Although the autonomous nature of the GSP made it intrinsically unstable, there were many aspects of the different schemes that could be changed with a view to increasing predictability and transparency. Examples were the duration of the schemes and consultations with beneficiaries concerned about modifications or exclusions. Other steps which could lead to significant

improvements in the utilization of GSP included allowing private associations to issue GSP certificate of origin Form A and allowing the use of automatic data processing equipment for issuance of these certificates. Simplification and harmonization of rules of origin were also highly desirable and should include global cumulation and donor country content. He noted that, since the last session of the Committee, no progress had been made with regard to the desirability of pursuing a two-way harmonization of the percentage criterion and the process criterion.

5. The Committee should discuss ways of collectively making preference-giving countries more aware of and responsive to issues and suggestions made for improvement since the schemes were autonomous and beneficiary countries had limited possibilities with regard to influencing the decisions of preference-giving countries' authorities. He stressed that the ultimate objective of developing countries in utilizing the GSP was to become competitive in international markets, and predictability of market access and transparency of the rules to be followed were essential elements of this effort. Any multilateral examination of the graduation issue in connection with the GSP must be undertaken in the context of the general objectives of the GSP and within the framework of a more general revision of the system. One of the major modifications of the GSP in recent years had been the inclusion of Central and Eastern European countries as beneficiaries in some schemes. His country concurred with those who suggested that the consequences of this action be studied in the light of the original objectives of the GSP.

6. The representative of Argentina said that the three basic GSP principles of generalization, non-discrimination and non-reciprocity were more valid than ever at the present time. When trying to improve the GSP, particular care should be taken to ensure that its principles were not contravened, thus avoiding the risk of obtaining results that ran counter to the interests of developing countries. The autonomous and unilateral way in which the GSP was applied had resulted in great uncertainty, and that in turn had undermined the basis necessary for long-term planning of export policies. Developing countries were faced with loss of markets due to the absence of prior consultations before the removal of a preference. A "neutral impact" on developing countries was possible only if the removal of preferences was made on the basis of multilaterally agreed criteria which took into account the degree of effective maturity that a product had reached in the market. Otherwise the trade flows of developing countries were adversely affected

rather than increased thus undermining the principles of the system. Finally, developing countries were concerned over the granting of preferences to countries which were also preference-giving countries, and he suggested that the secretariat should study the implications of such a measure and report to the next session of the Special Committee.

7. The representative of Peru recalled that, at UNCTAD VIII, the GSP had been reaffirmed in terms of its mandate and purpose, and specific recommendations had been made to enlarge the scope of preferential treatment in conformity with the principles and objectives of the GSP. It had also been recommended that, following the MFN tariff reductions that would result from the Uruguay Round, preference-giving countries should increase the preferential margins under the GSP.

8. It should be noted that, in comparison with the total imports of OECD countries from GSP beneficiaries - US$ 407 billion - the percentage of imports that benefited from GSP treatment was too low, i.e. only 16.7 per cent, or US$ 68 billion.

9. The concept of graduation should be based on multilaterally agreed criteria and solely on economic and commercial considerations, to the exclusion of unilateral and political elements. In applying graduation, it was also necessary to take into account the needs of those countries which depended on the GSP for their market access to preference-giving countries. Even if the country-product graduation approach seemed to be the subject of consensus, account should be taken of those countries which relied on only a few products for their exports. He stressed the urgent need to harmonize the rules of origin in order to achieve better equivalence of access in preference-giving-country markets.

10. He welcomed the inclusion of articles of jewelery, bonito and lemon rind in the scheme of the United States. However, he was concerned over the indefinite postponement of the inclusion of new products of interest to Peru under that scheme. This postponement had resulted from alleged lack of agreement between the Peruvian authorities and an American insurance company concerning compensation for the nationalization of certain petroleum assets. On this issue, he emphasized that, in addition to a basic agreement reached in 1991, a new agreement had been concluded on 1 May 1993. He hoped that the United States would therefore reinstate Peru as a beneficiary under its scheme and also include it under the Andean Trade Preference Act. He also expressed

appreciation to the EC for granting some exceptional preferences to Andean Pact countries that had been affected by the illegal drug traffic.

11. Finally, he expressed concern over the 27 per cent decline in the financing of technical cooperation activities in 1992 in relation to 1991 and over the further decrease expected in 1993. He urged preference-giving countries to provide the necessary resources to maintain the high level of efficiency attained by the programme.

12. The representative of Zimbabwe said that his country was in the unique position of having a UNDP-funded national GSP project headed by an UNCTAD consultant who conducted project activities for the business community and the customs department. In 1992, project activities had been devoted to the dissemination of GSP information in general to the trading community and the public sector, while in 1993 they would focus on specific sectors such as textiles, agriculture and leather. He supported the appeal for further funding to carry out similar activities in other preference-receiving countries, and he welcomed the pledges made for 1993 by some preference-giving countries in this regard. He added that the national project for his country was to expire in October 1993, and he hoped it would be extended for another year on the basis of resources already budgeted but not yet spent.

- - - - -